



Janet Napolitano, Governor

J. Elliott Hibbs, Director

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ARIZONA DEPARTMENT OF REVENUE

MISSION STATEMENT

The purpose of the Arizona Department of Revenue is to promote voluntary compliance with all tax obligations through fair administration, firm enforcement, and prompt and courteous service in a manner that justifies the highest degree of public confidence in our efficiency and integrity.

WE'RE ON THE WEB!

The Arizona Tax News can be viewed on our Internet website:

www.revenue.state.az.us

STATE UNVEILS ARIZONA TAX AMNESTY PROGRAM

Arizona is launching a tax amnesty program that will run from September 1 through October 31, 2003. Governor Janet Napolitano proposed, and the legislature included in the budget bill that was passed, an opportunity for people and businesses to come clean by filing previously unfiled Arizona state tax returns with no civil penalties and a reduced amount of interest.

Some individuals and business are not paying their fair share of taxes to support Arizona government funded activities, Arizona Department of Revenue (DOR) Director J. Elliott Hibbs explained. "These range from those who don't realize they should be paying tax to those hardcore evaders who deliberately underreport their taxes or refuse to file altogether."

"People and businesses who underreport or fail to file their taxes place an unfair burden on the honest taxpayers who are paying for the essential government services enjoyed by all Arizonans," Governor Napolitano stated. "My administration is addressing this problem."

Money was restored to the DOR budget to fund the hiring of an additional 103 audit and collections positions. Also, DOR is beginning year two of a five-year upgrade of all its computer technology that will enable it to find more individuals and businesses that should be paying Arizona taxes. The

new, integrated tax-administration information system will also provide greater ability for the Department of Revenue to identify patterns of tax noncompliance across regions and industries. "Everybody is on a list somewhere, and we will find them," said Hibbs.

"We've created a convenient time for individuals and businesses to come clean and file long overdue tax returns and correct underreported taxes before we come knocking on their doors," Hibbs continued. "That time is the Arizona Tax Amnesty period — September 1 through October 31, 2003."

The Arizona Tax Amnesty Program gives Arizona taxpayers, individuals and businesses, the opportunity to file and pay back taxes with a reduced amount of interest and no civil penalties. The tax amnesty program applies both to taxes that have not yet been filed and taxes underreported in the past.

Included in the amnesty are income, withholding, luxury, transaction privilege, and use taxes. Amnesty applications will be accepted from September 1, 2003 until October 31, 2003. At least one-third of the total liability must be paid by October 31, 2003. The payment of the remaining balance is due no later than May 1, 2004.

For taxes filed on an annual basis, amnesty is available for years beginning

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*****REMINDER*****

FOR NON-EFT TPT FILERS

**To avoid a delinquency, postmark your
July 2003 TPT return no later than
August 25, 2003 or deliver to DOR no later
than August 28, 2003.**

**May Summary of
General Fund Revenues**

	<u>May 2003</u>	<u>Fiscal Year Total</u>
Individual Income Tax		
Net Collections	\$62,732,180	\$1,473,471,852
Percent Change*	21.1%	(4.6%)
Corporate Income Tax		
Net Collections	\$12,628,753	\$305,612,806
Percent Change*	(2.1%)	7.6%
Transaction Privilege, Severance & Use Taxes		
Net Collections	\$251,579,956	\$2,768,277,378
Change*	(0.1%)	1.7%
Total Big Three Tax Types		
Net Collections	\$326,940,889	\$4,547,362,036
Percent Change*	3.3%	(0.1%)

() Decrease from same month last year.

* Percent change from same month last year.

Individual Income Tax

Individual Income Tax Receipts

	<u>May 2003</u>	<u>May 2002</u>	<u>% Change</u>
Gross Collections	\$30,970,547	\$22,182,506	39.6
Withholding	190,796,090	195,678,588	(2.5)
Refunds	(123,154,535)	(130,913,219)	(5.9)
Urban Rev Sharing	(35,879,921)	(35,156,381)	2.1
Net Collections	\$62,732,180	\$51,791,494	21.1

	<u>(02/03)</u>	<u>(01/02)</u>	<u>% Change</u>
Fiscal Year Total			
Gross Collections	\$577,733,086	\$624,286,796	(7.5)
Withholding	2,112,112,319	2,134,952,670	(1.1)
Refunds	(821,694,422)	(827,404,472)	(0.7)
Urban Rev Sharing	(394,679,132)	(386,720,191)	2.1
Net Collections	\$1,473,471,852	\$1,545,114,803	(4.6)

Included in the refund amounts above are refunds relating to the alternative fuel vehicle income tax credit. After offsetting \$3,786 in tax liability, \$276,364 was refunded. This amount does not include withholding and estimated payments returned to taxpayers because their liability was covered by the alternative fuel vehicle credit.

TAX CALENDAR

AUGUST 2003

<u>Due Date</u>		<u>For Period Ending</u>
15	Income Tax Returns: Form 120: Corporation Form 140: Individual Form 141: Fiduciary Form 165: Partnership	4/30/03
15	Form 120: Corporation with Automatic Extension	10/31/02
15	Form 120S: S Corporation	5/31/03
15	Form 99: Exempt Organization Annual Information Return Form 99T: Exempt Organization	3/31/03
15	Form 120ES: Estimated Tax Payment, Corporation First Installment Second Installment Third Installment Fourth Installment	4/30/04 2/28/04 11/30/03 8/31/03
20	Form TPT-1: Transaction Privilege Tax: July Monthly Filers and Quarterly Filers	7/31/03
20	Bingo: Financial Reports	7/31/03
20	Luxury Tax: Various Forms	7/31/03
25	EFT Form TPT-1 and Payment: Transaction Privilege Tax: July Monthly Filers	7/31/03

Withholding Tax Payment Information:

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **exceeds** \$1,500 the employer must make its Arizona withholding payments to the Department of Revenue at the same time as the employer is required to make federal withholding deposits.

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **does not exceed** \$1,500 the employer must make its Arizona withholding payments to the department on a quarterly basis.

The *Arizona TaxNews* is a publication of the Arizona Department of Revenue. Information contained herein is of a general nature and is not designed to address complex issues in detail. Taxpayers requiring information concerning a specific tax matter should contact the appropriate office. This newsletter is available in an alternative format upon request. Subscription information may be obtained from the Publications Unit at 602-542-4672 or toll free from area codes 520 & 928, 1-877-863-0655.

EFILE SURVEY SAYS

Thank you to the Electronic Return Originators who participated in our annual ERO survey! We are pleased to report that survey score rated Arizona Department of Revenue an average of 4.5 on a 5-point scale. This is a significant improvement over the previous rating of 4.1. The new direct deposit option was well received with a rating of 4.48.

Feedback is important to us. The department has made great strides in offering electronic filing, but there is still room for improvement. Survey participants pointed out two areas for improvement: communications and content of the e-file technical manual.

A new technical manual is in development to provide a resource that is easy to use and comprehensive. The manual will include topics such as "how to handle a rejected return", "what to do for non-receipt of refunds" and "frequently asked questions and answers". Look for it on the DOR website in November.

To promote communication we are publishing a newsletter *E-News* to provide updates on electronic filing. *E-News* will be published at least monthly during the peak-filing season. It is delivered via e-mail to ERO's registered with the department. If you have not received *E-News* yet, we probably

don't have your email address or your email might be configured not to accept attachments. To make sure you get on the distribution list, please contact us at efile@revenue.state.az.us to update your information.

Be sure to take advantage of these educational opportunities and network with other tax professionals.

Upcoming E-File events for Tax Professionals Department of Revenue Tax Talk Conference

The conference is held in Glendale, Phoenix, and Tucson during the month of December. For details contact Community OutReach and Education at:

602-542-3062 - Phoenix Metro Area
1-877-863-0655—toll free from area codes 520 & 928

Internal Revenue Service

Tax Forum

Sept. 16-18

Rio All Suites Hotel

3700 W. Flamingo

Las Vegas, NV 89103

Hotel Reservations: 888.746.6955

Forum Registration: www.paintl.com or
by phone at 301-593-0200

CHANGE IN TOWN TAX CODE—TOWN OF WICKENBURG

Effective October 1, 2003: The Mayor and Town Council of the Town of Wickenburg passed ordinance number 899. Ordinance 899 increases the Wickenburg Town Privilege Tax from **1% to 1.70%**. The tax rate increase affects the following classifications:

Advertising; Amusements; Construction
Contracting; Feed at Wholesale; Job printing;
Manufactured buildings; Timbering & other
extraction; Publishing; Rental Occupancy;
Hotels; Rental of real property; Rental of
tangible personal property; Restaurants and
Bars; Retail sales; Telecommunications;
Transporting for hire; and Utilities.

Ordinance 899 adopted Local Option V which modifies Section 9A-460-Retail Sales, of the Town

Tax Code. Option V, imposes a two-tier tax on retail sales for single items with a cost of \$10,000 or more.

If a **single item** is sold at a cost of **\$10,000** or more, the privilege tax, under the retail tax classification, will be imposed at a rate of **1.19%**. This will be reported under **Code WB4**.

All other retail items will remain taxable at 1.70% and reported under Code WB.

This increase imposed by this ordinance shall not apply to contracts entered into prior to the effective date of the ordinance. **Pre-existing contracts** should be reported using **CODE WB9** at a rate of **1%**.

ADJUST FEDERAL ESTIMATED TAX PAYMENTS TO GET TAX CUT BENEFITS

Some of the tax cuts in the Jobs and Growth Tax Relief Reconciliation Act of 2003 will reach taxpayers without any action on their part. For example, the IRS will automatically figure the advance payments of the Child Tax Credit increase that will be sent starting July 25 to most taxpayers who claimed this credit on their 2002 returns. Employers are using new tax withholding tables, reflecting lower tax rates and a higher standard deduction for married couples.

Self-employed persons and those who have significant income from capital gains or dividends may receive the tax benefits this year by adjusting their remaining 2003 estimated tax payments, due Sept. 15, 2003, and Jan. 15, 2004.

When using the worksheets with Form 1040-ES or Publication 505, take these changes for individuals into account:

- A higher standard deduction for married persons: \$9,500 for couples; \$4,750 for those filing separate returns.
- Tax rate reductions: the 10% rate applies to the first \$7,000 of taxable income for single persons, \$14,000 for married persons filing jointly; the 15% rate for married couples covers up to \$56,800 of taxable income; and all rates above 15% are lower. Use the new tax rate schedules to figure your 2003 tax.

- Lower tax rates for long-term capital gains on assets sold after May 5, 2003, and for qualified 2003 dividend income: 5% for those that would have been taxed at a regular rate of 10% or 15%; 15% for most items that would have been taxed at a higher rate. (But there are no changes in the special rates that apply to unrecaptured section 1250 gain, collectibles gain, or section 1202 gain.)
- A higher alternative minimum tax exemption amount: \$40,250 for a single person or a head of household; \$58,000 for married persons filing jointly and qualifying widow(er)s; and \$29,000 for married persons filing separately.

Business owners should also consider changes to the first-year depreciation allowance and the Section 179 expensing deduction.

You don't have to wait until your 2003 return to benefit from the tax cuts. Act now to bring the tax you pay closer to the tax you owe.

BUSINESS WORKSHOPS OFFERED

The Arizona Department of Revenue offers business workshops to benefit all stages of business development.

For a new business or an individual thinking about setting up a business in Arizona, the Small Business Workshop will make reporting easier and help you better understand the transaction privilege taxes that apply to a particular type of business.

For an existing business, workshops range from the Construction Industry Workshop to Retail Workshop to TPT Forms – How to Report Correctly and Filling in the Blanks...A Guide to Arizona Withholding. Workshops are scheduled in various areas throughout Arizona. Visit our website at www.revenue.state.az.us/seminar/citygrid.htm or call 602-542-3062 for a complete listing, descriptions of workshops and dates/times of workshops.

NEW TAX SCAM TARGETS POTENTIAL RECIPIENTS OF ADVANCE CHILD TAX CREDIT

IRS NEWS RELEASE: IR-2003-79

DATE POSTED: 06/03/2003

WASHINGTON — The Internal Revenue Service today issued a consumer alert, warning taxpayers about a new scam targeting potential recipients of the Advance Child Tax Credit.

The IRS has seen isolated instances of this new scheme. A taxpayer receives a telephone call from a person who promises to speed up the payment of the Advance Child Tax Credit checks. The catch is the taxpayer must agree to a \$39.99 charge to a credit card.

The IRS reminds taxpayers that no person or organization can “speed up” the payment of tax benefits. In reality, taxpayers do not have to take any action to get the new benefit, which features an advance payment for up to \$400 per qualifying child. The Treasury Department and IRS will perform all the calculations and automatically mail a notice and a check to each eligible taxpayer, beginning the week of July 25.

“The only thing the taxpayer needs to do is cash the check,” said Mark W. Everson, IRS Commissioner. “If you qualify, we will send you a notice. There’s no need to call, no need to apply, no need to fill out another form. The IRS will do all the

work. A few days after the notice, you will get the check.”

Under the new scam, the IRS is seeing the continuation of a trend that emerged earlier this year when the families of those serving in the Armed Forces were targeted. In both of these schemes, scam artists use current events to prey on unsuspecting victims. The scams also feature callers seeking credit card information to get taxpayers to pay for special benefits.

If the taxpayer agrees to the charge and provides a credit card number or other sensitive personal information, she could find a much larger charge to her account. By the time the taxpayer realizes something is wrong, the scam operator is long gone, possibly victimizing another taxpayer.

If you encounter this latest tax scam or suspect tax fraud or abuse in some other situation, report it to your nearest Internal Revenue Service office. When in doubt, seek help from the IRS or a tax professional. You can call the IRS tax fraud hotline at 1-800-829-0433.

Additional information on tax scams may be found on the IRS Web site, IRS.gov. Go to The Newsroom page and then click on the “Scams/Consumer Alerts” link under the Topics sidebar.

State Unveils Arizona Tax Amnesty Program

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on or after January 1, 1983 and ending before January 1, 2002. Taxpayers who filed taxes on a monthly or quarterly basis are eligible for tax periods beginning on or after January 1, 1983 and ending before January 1, 2003.

“Tax amnesty is a rare opportunity for those who live, work or do business in Arizona to come clean and pay any back state taxes they owe without any civil penalties or threat of prosecution and with a reduced

interest rate,” said Hibbs. “This will also generate much-needed revenues for the state.”

More details and forms can be obtained by visiting www.taxamnesty.az.gov or by calling (602) 364-3550.

“Encourage your family, friends, co-workers and anybody else to take advantage of this,” said Napolitano. “They should be helping you pay for all the vital government services like education, health services, parks and public safety.”



BRITS WEBSITE NAMED

It's official! The name of the new Arizona Department of Revenue website for online filing and registration and future technological improvements is AZTaxes.gov. Starting on January 2, 2004, as part of Release One of BRITS, taxpayers and practitioners will be able to register businesses, file TPT and Withholding tax returns, make payments, and manage accounts using this new tool. Additional functionality in Corporate and Individual Income tax will be available as these tax types are converted to the new BRITS environment over the

next several years. The new website is based on the Office of Tax and Revenue website for the District of Columbia. Developed by Accenture, the D.C. site was customized for Arizona based, in part, on input from the practitioner community. A total of four focus group meetings were held throughout the state asking for input as the site was being developed. The site was also previewed by various business and practitioner groups and at other venues as part of the agency's Community Outreach and Education (CORE) program.